

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois-American Water Company)	
)	11-0767
Proposed general increase in water)	
and sewer rates.)	

**PEOPLE OF THE STATE OF ILLINOIS’S MOTION TO COMPEL DISCOVERY
FROM ILLINOIS AMERICAN WATER COMPANY AND REQUEST TO
RESCHEDULE STAFF AND INTERVENOR DIRECT TESTIMONY**

The People of the State of Illinois (“the People”), through Illinois Attorney General Lisa Madigan (“AG”), pursuant to 83 Ill. Adm. Code 200.190, 200.340, 200.370, and 200.410(b), file this Motion to Compel (“Motion”) and request for additional time to file Staff and Intervenor direct testimony as a result of the failure of Illinois American Water Company (IAWC) to provide timely, responsive, and complete responses to AG data request. In support of this Motion, the People state as follows:

1. On January 10, 2012 the People served IAWC with the AG’s Second Set of Data Requests. The People requested responses on Monday, January 23, 2012, which is slightly less than the 14 days, using best efforts, the Company agreed to at the status on January 11, 2012 (page 15-16).¹ On or about January 31, 2012 the People served IAWC with the AG’s Fourth Set of Data Requests, and requested the Company respond, using best efforts, on or before February 14, 2012.

¹ “MR. STURTEVANT [for IAWC]: That's the Company's understanding as well, is that the best efforts for data response is 14 days after issuance before Staff and Intervenor -- or through Staff and Intervenor direct and then seven days thereafter.”

2. As of the date and time of this filing (February 17, 2012, 4:00 pm), thirty three (33) questions from the AG's Second Set of Data Requests were not answered, and eight (8) questions from the AG's Fourth Set of Data Requests were not answered. The questions that have not been answered from the Second Set are: AG 2.18, 2.40, 2.56, 2.62, 2.69, 2.70, 2.93, 2.97, 2.100-2.101, 2.105-2.113, 2.116, 2.119-2.123, 2.127-2.130, 2.133-2.135, and 2.139 and the questions from the AG's Fourth Set of Data Requests that have not been answered are: AG 4.7, 4.8, 4.9, 4.10, 4.11, 4.13, 4.14, and 4.16. A true and correct copy of the unanswered questions is attached to this Motion.

3. More than 28 days have passed since the People served the AG Second Set of Data Requests on the Company, and more than 14 days have passed since the People served the AG Fourth Set of Data Requests on the Company. AG counsel has brought this failure to respond to these data requests to the attention of Company counsel several times. Each time Company counsel indicated a response would be forthcoming, but the People have still not received the Company response to the above identified questions.

4. AG counsel has attempted to resolve this matter in good faith by communicating with Company counsel regarding its failure to provide responses to outstanding data requests by letter dated February 8, 2012. A true and correct copy of that correspondence is attached to this Motion as Exhibit 1 (3 parts).

5. Although the Company has provided responses to several of the then outstanding questions, it has failed to provide the People with the responses to the requests identified in paragraph 2 to date. In addition, the People have sent follow-up questions in response to Company responses that have required fuller explanation. Had the responses to the Second Set of Data Requests been produced and served as requested, there would have been more time for follow-up

questions. A change in the date for filing Staff and intervenor direct testimony is necessary due to the lateness of the responses and their lack of responsiveness and completeness.

6. A rate case in which a Company requests an increase in consumer rates must allow the People, and other intervening parties, the opportunity to analyze whether the Company's proposed new rates are just and reasonable. To this end, the Commission's rules of practice support a broad scope of discovery:

It is the policy of the Commission to obtain full disclosure of all relevant and material facts to a proceeding. 83 Ill. Adm. Code § 200.340.

7. As pointed out in the Staff Motion to Compel filed on February 16, 2012 in this docket, subject to certain exceptions (primarily privileges), a party seeking discovery in Illinois may obtain full disclosure of all matters relevant to the pending proceeding. *Mistler v. Mancini*, 111 Ill. App. 3d 228, 67 Ill. Dec. 1, 443 N.E.2d 1125 (2 Dist. 1982). The discovery process "presupposes a range of relevance and materiality which includes not only what is admissible at trial but also that which leads to what is admissible at trial." *Willing v. St. Joseph Hosp.*, 176 Ill. App. 3d 737, 126 Ill. Dec. 197, 531 N.E.2d 824 (1st Dist. 1988); *United Nuclear Corp. v. Energy Conversion Devices, Inc.*, 110 Ill. App. 3d 88, 65 Ill. Dec. 649, 441 N.E.2d 1163 (1st Dist. 1982) (Discovery includes not only what is admissible at trial, but also that which leads to what is admissible.).

8. The information requested by the People in outstanding data requests listed above is calculated to lead to the discovery of relevant evidence and responses will enable the People to properly assess the Company's proposed new rates.

9. IAWC bears the burden of proof to establish the justness and reasonableness of its proposed rate changes in this proceeding and is obligated to provide support for the revenue increases it requests.

10. The Company is the only party that can provide the information requested in the AG's Second and Fourth Sets of Data Requests. If IAWC is not required to provide this information

before Staff and intervenors' direct testimony is due, the Commission and the ALJ will be without relevant information that may assist them in reaching an informed and reasoned opinion as to whether the Company's new proposed rates are just and reasonable, and consumers will be prejudiced in that the People's witnesses will not be able to provide testimony and analysis based on the full information requested.

11. IAWC should be ordered to respond fully and completely to the AG data requests 2.18, 2.40, 2.56, 2.62, 2.69, 2.70, 2.93, 2.97, 2.100-2.101, 2.105-2.113, 2.116, 2.119-2.123, 2.127-2.130, 2.133-2.135, 4.7, 4.8, 4.9, 4.10, 4.11, 4.13, 4.14, and 4.16 and to all follow up requests within 5 business days, or 14 days before the People's testimony is due in this docket.

12. Due to IAWC's failure to provide timely responses to the People's and the Staff's data requests, the People request that the deadline for filing AG and intervenor direct testimony, currently scheduled for March 1, 2012, be extended by the same number of days that the Company is late in providing its responses, or in the alternative, that direct testimony be scheduled no fewer than 14 days from the last response to the People's data requests, including follow up questions. This extension of time is necessary to allow the People to review and provide the necessary testimony on the subject matter that is addressed in the outstanding data requests. This extension of time should be taken from the rebuttal time allotted for the Company in order to not affect the remaining deadlines for testimony or the evidentiary hearing. In the alternative, if the Company cannot provide the requested information in the time allotted for this docket (11 months under the statute), this docket should be dismissed without prejudice.

13. The information relevant to evaluating the Company's requested revenue increase is in the exclusive control of the Company, and the People are prejudiced by the unreasonable delay in the Company's responses. By contrast, the Company's response to the People's direct testimony will require limited information from the People as most (if not all) of the data for the People's direct

testimony will be obtained through discovery from the Company and will represent the Company's own records.

14. The People are prejudiced in their ability to analyze the Company's filing and provide informed expert testimony to the Commission by the late and inadequate responses to the People's discovery, served on January 10, 2012 and the follow up questions served on January 31, 2012.

14. The People commit to provide workpapers the same day their direct testimony is filed in order to expedite discovery at the rebuttal phase.

WHEREFORE, the People respectfully request that the Commission:

- A. Order IAWC to provide full and complete responses to AG 2.18, 2.40, 2.56, 2.62, 2.69, 2.70, 2.93, 2.97, 2.100-2.101, 2.105-2.113, 2.116, 2.119-2.123, 2.127-2.130, 2.133-2.135, AG 4.7, 4.8, 4.9, 4.10, 4.11, 4.13, 4.14, and 4.16, within 5 business days;
- B. Order IAWC to respond to further follow-up discovery within 5 business days from service;
- C. Reschedule the date for Staff and intervenor testimony to no less than 14 days from the date the last response is provided; and
- D. for such other and further relief as is equitable.

Respectfully submitted,

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February 17, 2012

ATTACHMENT A TO THE PEOPLE'S MOTION TO COMPEL AND
RESET THE SCHEDULE FOR STAFF AND INTERVENOR DIRECT TESTIMONY
ICC DOCKET 11-0767

OUTSTANDING DATA REQUEST RESPONSES

AG Second Set of Data Requests to IAWC

AG 2.18 Insurance Other Than Group.

- a. Refer to Schedule G-1, line 16, Insurance Other Than Group. Please identify, quantify and explain in detail why the actual amounts for each of the 12 month periods ending in Sept-2008, Sept-2009, Sept-2010 and Sept-2011 were so much under the planned amounts in each of these years.
- b. Refer to account 657, Insurance General Liability. Are the "Quarterly Retroactive adjustments" the same thing as the "Retrospective Adjustment"? If not, explain fully how these are different.
- c. Please identify, quantify and explain all Retrospective Adjustments (a) for each year 2000 through 2011, for (1) American Water Works in total and (2) as allocated to IAWC each year or period.
- d. Please identify, quantify and explain all Retroactive Adjustments (a) for each year 2000 through 2011 American Water Works in total and (2) as allocated to IAWC each year or period.

AG 2.40 Has AWWSC or IAWC ever examined converting its defined benefit pension plan to some other type of retirement benefit in order to help control costs? If not, explain fully why not. If so, please identify how this was done, and provide a copy of all Documents.

AG 2.56 Accounts receivable and uncollectibles.

- e. Please show exactly where and how IAWC reduced the Accounts Receivable by the Allowance for Doubtful accounts in determining its revenue collection lag.
- f. Does IAWC agree that residential customer bill payment is due within 20 days of the date printed on the bill? If not, explain fully why not.
- g. Does IAWC agree that a collection lag in excess of 20 days indicates that, on average, customers are paying after the due date printed on the bill? If not, explain fully why not.
- h. What amount of Late Charge revenue has IAWC reflected in the test year for each rate area? Please break out between residential and commercial if possible.
- i. What number of residential and commercial customers did IAWC project for the test year by rate area?

- j. How many late payments per average customer does the Late Charge revenue projected by IAWC for the test year represent? Please respond for each rate area, if different.
- k. Please provide an aging of accounts receivable by rate area, for each month of 2009, 2010 and 2011.
- l. Please provide the average daily amount of Allowance for Doubtful Accounts for each rate area for 2010 and 2011.

AG 2.62 Rate Case Expense.

- m. Provide a detailed amortization schedule for all prior rate case amounts.
- n. Provide a detailed itemization of all AWWSC charges. Indicate each AWWSC department that has charges for IAWC rate case cost, and provide the billing rate and invoices.
- o. To the extent not already provided elsewhere, please provide the contracts and invoices for each component of cost for the current rate case.
- p. To the extent not already provided elsewhere, please provide the contracts and invoices for each component of cost for each prior case for which IAWC seeks to charge rate case expense in the current rate case.
- q. Show in detail how the amortization periods for each component of IAWC's requested rate case cost were derived.
- r. When does IAWC anticipate filing its next rate case for this district?
- s. Does IAWC or AWWC maintain budgets or forecasts that indicate when the utility's next rate case is anticipated? If not, explain fully why not. If so, please provide such forecasts.

AG 2.69 Provide a general ledger listing or similar report of all transactions that comprise the corporate and affiliated charges allocated to IAWC.

AG 2.70 Provide the most recent 2011, 2012 and 2013 American Water Works and AWWSC operating expense budgets and 2011, 2012 and 2013 forecasts of American Water and AWWSC operating expense. Please identify all assumptions, workpapers, calculations and source documents relied upon and provide the development of all escalation factors.

AG 2.93 Please provide a copy of the parent company's corporate federal tax returns and supporting "M" schedules and all consolidating schedules for 2008, 2009 and 2010.

- AG 2.97 Please list and explain in detail the allocation methods used to allocate state and federal tax liability and tax credits between the Company and its subsidiaries and between the Company and other American Water companies. Please provide worksheets which show a detailed derivation of the allocations for 2009, 2010 and 2011. The derivation should include separate listing of contributions, indebtedness cost, NOL (current, carryforwards and carrybacks), each credit by type (such as the investment tax credit, jobs credit), intercompany transactions.
- AG 2.100 Please provide a detailed derivation of 2008, 2009, 2010 and 2011 research and development credits, including:
- a. A list of all research, development and experimentation expenditures; and for each item provide:
 - b. Separately the amounts payable to inside and outside contractors;
 - c. The amount payable in the test year;
 - d. The total expenditures to be expensed in determining federal taxable income; and
 - e. The total expenditures qualifying for the R & D credit under I.R.C. paragraph 44f.
- AG 2.101 Identify all net operating loss carrybacks and carryforwards for American Water and each American Water subsidiary including but not limited to IAWC, for 2008, 2009, 2010 and 2011, and anticipated for 2012.
- AG 2.105 Please explain and provide all workpapers and source documents supporting the derivation of the taxable bases for Illinois income and property taxes for 2009, 2010, 2011, and forecasted for the year ended 9/30/2013.
- AG 2.106 Show exactly how IAWC has treated all deductions for repairs in computing each of the following for its current rate filing, and provide supporting calculations and workpapers:
- a. Current state income tax expense
 - b. Deferred state income tax expense
 - c. Current federal income tax expense
 - d. Deferred federal income tax expense
 - e. Accumulated deferred state income taxes
 - f. Accumulated deferred federal income taxes

- g. Identify all other accounts on IAWC's income statement and balance sheets for the test year, and as reflected in the Company's pro forma adjustments, that relate to repairs deductions, and show in detail how each of those amounts were derived.

AG 2.107 Provide test year general ledger pages listing all transactions affecting the following:

- a. Current state income tax expense
- b. Deferred state income tax expense
- c. Current federal income tax expense
- d. Deferred federal income tax expense
- e. Accumulated deferred state income taxes
- f. Accumulated deferred federal income taxes
- g. Each other account on IAWC's income statement and balance sheets for the test year that relate to repairs deductions claimed for state or federal income tax purposes.

AG 2.108 Business Transformation initiatives and related tax impacts.

- a. Provide a detailed itemization of all plant additions in each year, 2010, 2011, forecasted for 2012 and the twelve months ending 9/30/2013, related to the American Water Works Business Transformation ("BT") initiative.
- b. Identify the amount of bonus tax depreciation taken or anticipated in each year, 2010, 2011, 2012 and the 12 months ending 9/30/2013 related to each BT initiative project.

AG 2.109 Please state the effect on American Water Works' balance sheet, by account, from using the bonus tax depreciation on its 2010 federal income tax return.

AG 2.110 Please state the effect on American Water Works' balance sheet, by account, if the bonus tax depreciation is used on its 2011 federal income tax return.

AG 2.111 Please state the effect on Illinois-American's balance sheet, by account, from using the bonus tax depreciation on its 2010 federal income tax return.

AG 2.112 Please state the effect on Illinois-American's balance sheet, by account, if the bonus tax depreciation is used on its 2012 federal income tax return.

AG 2.113 ADIT and SFAS 109.

- a. Please identify, quantify and explain all impacts on expenses and rate base from SFAS 109.

- b. When did the Company adopt SFAS 109 for financial reporting purposes?
- c. Is this the first rate case in which IAWC has attempted to apply SFAS 109 for ratemaking purposes? If not, explain fully why not, and identify the other rate cases in which IAWC attempted to use SFAS 109 for ratemaking purposes. If so, explain fully why.

AG 2.116 Show in detail how IAWC has reflected 2011 and plans to reflect 2012 and the twelve months ending 9/30/2013 bonus tax depreciation on plant additions in each of those years. Include detailed calculations, preferably in Excel, showing the qualifying assets, the bonus depreciation deductions and the impact on ADIT in each year.

AG 2.119 Will American Water Works and IAWC use the 100% bonus depreciation in 2011? If not, explain fully why not and provide all analyses showing NOL carryforwards as of 12/31/2010 and at 12/31/2011 at AWWC and IAWC, and the forecast use of such NOLs throughout the 20 year NOL carryforward period. If so, please provide all estimates and calculations, preferably in Excel, of 2011 bonus tax depreciation for IAWC and, separately, for AWWC.

AG 2.120 Will American Water Works and IAWC use the 50% bonus depreciation in 2012? If not, explain fully why not and provide all analyses showing projected NOL carryforwards as of 12/31/2011 and at 12/31/2012 at AWWC and IAWC, and the forecast use of such NOLs throughout the 20 year NOL carryforward period. If so, please provide all estimates and calculations, preferably in Excel, of 2011 bonus tax depreciation for IAWC and, separately, for AWWC.

AG 2.121 Bonus Tax Depreciation

- a. Please confirm that any tax NOL can be carried forward for 20 years to reduce future income taxes. If this cannot be confirmed, explain fully why this is not the case.
- b. Provide all analysis performed by or for American Water Works and for IAWC comparing the projected results of (1) claiming 2011 bonus tax depreciation and (2) not claiming 2011 bonus tax depreciation. Include all assumptions and supporting workpapers.
- c. Provide all American Water Works and IAWC projections of taxable income that were used to evaluate whether using 2011 bonus tax depreciation will result in overall tax savings during 2011 and each year of the 20-year NOL carry forward period.
- d. How does IAWC propose to compensate Illinois ratepayers for any imprudence effects and/or higher revenue requirements for 2011 and each year of the 20-year NOL carry forward period if the parent company decides not to use 2011 bonus tax depreciation? Explain fully and show in detail.
- e. How much current income tax expense is IAWC claiming for the future test year, before and after its requested revenue increase? Show in detail.

- f. What amount of tax Net Operating Income (Loss) does IAWC have as of each date: 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011?
- g. Show in detail how the IAWC tax Net Operating Income (Loss) as of 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011 were determined.
- h. What amount of tax Net Operating Income (Loss) does American Water Works Company have as of each date: 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011?
- i. Show in detail how the American Water Works Company tax Net Operating Income (Loss) as of 12/31/2009, 12/31/2010, and expected/estimated for 12/31/2011 were determined.
- j. Show in detail how much federal taxable income IAWC has for the future test year as if the Company's requested revenue increase were to be granted in full. Include supporting calculations.
- k. Provide all Excel files, electronically, with formulas and calculations intact, relative to your answers to this data request.

AG 2.122 Bonus Tax Depreciation

- a. Provide all projections of IAWC's taxable income for 2012 and the entire 20-year net operating loss carry-forward period applicable to a 12/31/2011 NOL.
- b. Show in detail how IAWC evaluated the interaction of (1) 2011 bonus tax depreciation, (2) repairs deductions, and (3) Internal Revenue Code §199 deductions for qualified domestic production activities for 2011 and each year in the 20-year NOL carry-forward period.
- c. Provide all projections of IAWC's and each other subsidiary of American Water Works taxable income for 2011 and each future year in the 20-year NOL carry forward period.
- d. What amount of taxable income did IAWC report, or is projected for IAWC, in each year: (1) 2009, (2) 2010, (3) 2011, (4) each year in the 20-year period subsequent to 2011?

AG 2.123 What amount of Internal Revenue Code §199 deductions for qualified domestic production activities has IAWC reflected for the future test year? (1) Show in detail how that amount was derived including all supporting calculations.

AG 2.127 Can IAWC take 2012 bonus tax depreciation if other affiliates participating in the American Water Works Company, Inc. 2012 consolidated federal income tax return do not? If not, explain fully why not.

AG 2.128 Identify and provide all projections of taxable income and Net Operating Income (Loss) for IAWC and the related impacts on IAWC's revenue requirements for the 2011 tax year, and the 20-year NOL carry forward period that were reviewed or

prepared by or for IAWC or American Water Works Company, Inc. or the American Water Works Service Company tax department.

AG 2.129 Provide all Excel files related to the analysis of American Water Works Company, Inc. and IAWC Net Operating Income (Loss).

AG 2.130 Concerning federal income taxes.

- a. Did American Water Works Company pay federal income tax in 2008, 2009 or 2010? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- b. Did American Water Works Company pay federal income tax in 2011 or expect to pay any? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- c. Does American Water Works Company expect to pay federal income tax in 2012? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid and how it was derived.
- d. Does American Water Works Company expect to pay federal income tax in 2013? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid and how it was derived.
- e. When is the next year in which American Water Works Company expects to pay federal income tax?
- f. Has American Water Works Company paid federal alternative minimum tax in any tax, year, 2006 through 2011? If not, explain fully why not. If so, identify the amount of federal AMT paid by American Water Works Company in each year.
- g. Provide all federal income tax projections American Water Works Company has concerning when it anticipates having to pay federal income tax in each year, 2012 through the 20-year NOL carryforward period applicable to the AWWC FIT Net Operating Income (Loss) at 12/31/2010.
- h. Did Illinois American Water Company pay federal income tax in 2010? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- i. Did Illinois American Water Company pay federal income tax in 2011 or expect to pay any? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax paid.
- j. Does Illinois American Water Company expect to pay federal income tax in 2012? If your answer is yes, explain fully and provide supporting documents showing the amount of income tax expected to be paid, and how it was derived.
- k. When is the next year in which IAWC expects to pay federal income tax?
- l. Has IAWC paid federal alternative minimum tax in any tax, year, 2006 through 2011? If not, explain fully why not. If so, identify the amount of federal AMT paid by IAWC in each year.

- m. Provide all federal income tax projections Illinois American Water Company has concerning when it anticipates having to pay federal income tax in each year, 2012 through the 20-year NOL carryforward period applicable to the AWWC FIT Net Operating Income (Loss) at 12/31/2010.

AG 2.133 How much is IAWC requesting in the current rate case for each of the following components of income tax expense:

- a. Current Federal Income Tax Expense?
- b. Deferred Federal Income Tax Expense?
- c. Current Illinois State Income Tax Expense?
- d. Deferred Illinois State Income Tax Expense?
- e. Investment Tax Credit Amortization?
- f. Total Income Tax Expense?
- g. Show in detail how each of the above amounts was derived and provide related Excel files containing the detailed calculations.

AG 2.134 Identify all FIN 48 interest recorded on IAWC's books, by account, for each year, 2009, 2010, 2011 and 2012 to date.

- a. Provide the general ledger pages showing the FIN 48 interest for each period.
- b. Provide the journal entries showing the FIN 48 interest for each period.
- c. Provide a detailed explanation and supporting calculations showing exactly how the FIN 48 interest was calculated for each period, including identifying and explaining the source and basis for the interest rate used and the balance of "uncertain" tax positions to which the interest rate was applied.
- d. Identify the amount of FIN 48 interest recorded by IAWC, by account, in each year: 2009, 2010 and 2011 and as projected for 2012, 2013 and the future test year.

AG 2.135 AWWC NOL Carryforward.

- a. Show in detail how the American Water Works 12/31/2010 NOL carryforward of \$1,185,337,000 was built up by year from 2004 through 2010.
- b. Show how the American Water Works 12/31/2010 NOL carryforward of \$1,185,337,000 is anticipated to be applied against taxable income in each year of the 20-year NOL carryforward period. Include supporting calculations and related Excel files showing the projected taxable income and NOL application in each year.

AG 2.139 Rate case expense.

- c. When does IAWC anticipate filing its next rate case?
- d. Please provide all documents, forecasts and internal planning memos related to when IAWC plans to file its next rate case.

AG Fourth Set of Data Requests to IAWC

- AG 4.7 BT. For each of the BT-related systems (e.g., ERP, EAM, CIS, etc.), identify the specific entity within the American Water Works corporate group in which the legal title and ownership reside.
- AG 4.8 BT cost savings. Refer to the response to DLH 6.03.
- t. Does IAWC intend to include BT related cost savings at any point in this proceeding? If not, explain fully why not. If so, when does IAWC intend to include them?
 - u. Identify all information IAWC, AWWSC and/or the American Water Works board of directors has reviewed to date concerning anticipated BT related cost savings that pertain to 2012, 2013 and each subsequent year for which such information exists.
 - v. Provide all documents related to your response to part b.
- AG 4.9 Does IAWC, AWWSC and/or the American Water Works board of directors anticipate a work force downsizing at any point in 2012 or 2013? If not, explain fully why not. If so, please identify all such expectations and provide the related documents including, but not limited to, board of directors presentations.
- AG 4.10 Does IAWC, AWWSC and/or the American Water Works board of directors anticipate any labor cost related savings to occur as a result of implementing BT? If not, explain fully why not. If so, please identify all such expectations and provide the related documents including, but not limited to, board of directors presentations.
- AG 4.11 BT costs allocated to nonregulated affiliates. Refer to the response to DLH 6.04.
- w. Show in detail how the “fully loaded costs of BT” are determined.
 - x. Show the amount of “fully loaded cost of BT” that would be borne annually by AWW regulated utilities if **no** nonregulated affiliates use BT.
 - 1. Show the specific amounts that are allocated to IAWC and how the allocation to IAWC is done.
 - 2. Show the specific amounts to each IAWC utility district and how the district allocation of such costs is done.
 - y. Assume for purposes of this part of the request that all American Water Works affiliates are eventually to be migrated onto BT systems. Identify the maximum amount of the “fully loaded cost of BT” that would be borne by the nonregulated AWW affiliates.
 - z. Show exactly how the crediting of nonregulated affiliate use of BT and the nonregulated affiliates payment of maintenance fees “would be credited to the

regulated utility companies through a credit or reduction in Service Company fees.”

- aa. If BT cost were proportionately allocated to AWW nonregulated affiliates, show what the maximum amount of credit or reduction to Service Company fees would be in total, and specifically for IAWC.

- 1. Provide this information for the future test year being used by IAWC.

- bb. Explain fully why the nonregulated affiliates of AWW would pay the Service Company fees for the use of BT systems.
- cc. Explain why nonregulated affiliates using BT systems would not directly compensate the utilities, such as IAWC, who are requesting inclusion of BT related costs in their regulated rate base.
- dd. Would any of the BT asset cost be allocated to nonregulated affiliates? If not, explain fully why not.
- ee. What finance charge would be used to allocate or charge BT related cost to nonregulated affiliates?

- 1. How would that financing cost be developed? Show in detail.

AG 4.13 BT. Refer to the response to DLH 10.02. Provide the estimate, and all related supporting calculations, preferably in Excel, for the “test year credit amounts” that IAWC stated it would be able to provide by the end of January 2012.

AG 4.14 BT. Refer to the Revised Response to DLH 15.02. Identify and provide the documents relied upon by IAWC for its recent determination that it will be able to achieve certain reductions in test year levels of utility O&M expense through organizational changes made in anticipation of BT solutions.

AG 4.16 Affiliated service company fees.

- ff. Show in detail how IAWC pays for financing costs on the assets of the affiliate, American Water Works Service Company.
- gg. Identify, quantify and explain all financing costs on the assets of the affiliate, American Water Works Service Company that were paid by or charged to IAWC for each year, 2009, 2010 and 2011. Include supporting details in Excel.
- hh. Identify, quantify and explain in detail how the financing charge rate on the assets of the affiliate, American Water Works Service Company is determined. Provide this information for each year, 2009, 2010 and 2011. Include supporting details in Excel.
- ii. Identify, by account, all financing costs related to AWWSC assets that IAWC is requesting in the future test year, by account.
- jj. Show in detail how the financing costs listed in response to part d were derived.